

GENERATION CITIZEN, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE
YEAR ENDED JUNE 30, 2013.)

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
NOTES TO FINANCIAL STATEMENTS.....	7-11

INDEPENDENT AUDITORS' REPORT

November 21, 2014

Board of Directors
Generation Citizen, Inc.
San Francisco, California

We have audited the financial statements of Generation Citizen, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors
Generation Citizen, Inc.
Page Two

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

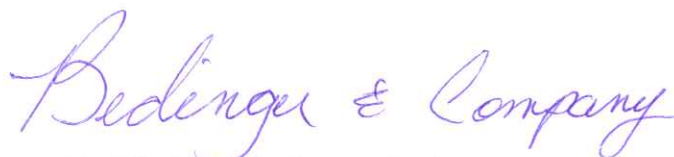
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Generation Citizen, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Generation Citizen, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 27, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants
Concord, CA

GENERATION CITIZEN, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)

ASSETS

CURRENT ASSETS	2014	2013
Cash and cash equivalents (Note B)	\$ 18,017	\$ 9,360
Grants and accounts receivable (Note C)	64,550	192,600
Prepaid expenses	-	1,260
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	82,567	203,220
Long term portion of grants and accounts receivable (Note C)	<hr/> 100,000	<hr/> 200,000
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 182,567</u>	<u>\$ 403,220</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 73,966	\$ 62,630
Loan payable - related party (Note H)	<hr/> 11,500	<hr/> -
	<hr/>	<hr/>
TOTAL LIABILITIES	85,466	62,630

COMMITMENTS AND CONTINGENCIES (Note G)

NET ASSETS		
Unrestricted	(254,242)	(90,737)
Temporarily restricted (Note E)	<hr/> 351,343	<hr/> 431,327
	<hr/>	<hr/>
TOTAL NET ASSETS	97,101	340,590
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 182,567</u>	<u>\$ 403,220</u>

See Notes to Financial Statements

GENERATION CITIZEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	Unrestricted	Temporarily Restricted	Total	
			2014	2013
REVENUE AND SUPPORT				
Support:				
Foundation grants and awards	\$ -	\$ 538,508	\$ 538,508	\$ 726,921
Donation and contributions	312,283		312,283	258,396
In-Kind Services	611,684		611,684	409,200
Total Support	<u>923,967</u>	<u>538,508</u>	<u>1,462,475</u>	<u>1,394,517</u>
Revenue:				
Event revenue	8,253		8,253	2,807
Program service revenue	74,663		74,663	94,000
Other income	2,294		2,294	214
Total Revenue	<u>85,210</u>	<u>-</u>	<u>85,210</u>	<u>97,021</u>
Net assets released from restriction	<u>618,492</u>	<u>(618,492)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>1,627,669</u>	<u>(79,984)</u>	<u>1,547,685</u>	<u>1,491,538</u>
EXPENDITURES				
Program Services	1,456,361		1,456,361	963,729
Administrative Services	139,943		139,943	91,601
Fundraising	194,870		194,870	127,784
Total Expenses	<u>1,791,174</u>	<u>-</u>	<u>1,791,174</u>	<u>1,183,114</u>
Increase <decrease> in net assets	(163,505)	(79,984)	(243,489)	308,424
NET ASSETS, beginning of year	<u>(90,737)</u>	<u>431,327</u>	<u>340,590</u>	<u>32,166</u>
NET ASSETS, end of year	<u>\$ (254,242)</u>	<u>\$ 351,343</u>	<u>\$ 97,101</u>	<u>\$ 340,590</u>

See Notes to Financial Statements

GENERATION CITIZEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	Program Expenses	Administrative Services	Fundraising	Total	
				2014	2013
EXPENSES:					
Salaries	\$ 520,211	\$ 95,813	\$ 145,401	\$ 761,425	\$ 410,385
Employee benefits	30,059	4,692	7,797	42,548	29,720
Payroll taxes	33,023	5,935	8,941	47,899	31,732
In-kind services	611,634	-	50	611,684	409,200
Professional fees	50,185	16,579	3,801	70,565	90,849
Rent	55,246	10,134	15,400	80,780	63,135
Travel	51,378	(116)	7,434	58,696	57,976
School support	43,157	-	-	43,157	26,366
Evaluation	26,847	19	30	26,896	23,037
Democracy coach	19,062	-	-	19,062	13,388
Curriculum development	(6)	-	-	(6)	6,471
Telecommunications	6,048	1,276	1,685	9,009	5,105
Office supplies	1,797	306	867	2,970	3,548
Insurance	1,422	1,971	125	3,518	3,351
Bank fees and taxes	29	1,571	9	1,609	2,513
Dues, memberships and subscriptions	1,047	1,309	390	2,746	1,572
Miscellaneous	2,193	336	1,051	3,580	1,558
Printing and copying	962	1	1,282	2,245	1,492
Depreciation and amortization	-	-	-	-	928
Postage and shipping	1,316	57	528	1,901	549
Equipment rental/ maintenance	751	60	79	890	239
TOTAL	\$ 1,456,361	\$ 139,943	\$ 194,870	\$ 1,791,174	\$ 1,183,114

GENERATION CITIZEN, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (243,489)	\$ 308,424
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	928
CHANGES IN ASSETS AND LIABILITIES:		
Increase in grants, contracts and accounts receivable	228,050	(357,600)
Increase in prepaid expenses	1,260	(1,260)
Increase in accounts payable and accrued expenses	<u>11,336</u>	<u>52,815</u>
NET CASH PROVIDED <USED> BY OPERATING ACTIVITIES	<u>(2,843)</u>	<u>3,307</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing from related party	<u>11,500</u>	<u>-</u>
NET CASH PROVIDED <USED> BY FINANCING ACTIVITIES	<u>11,500</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,657	3,307
CASH AND CASH EQUIVALENTS, beginning of year	<u>9,360</u>	<u>6,053</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 18,017</u>	<u>\$ 9,360</u>

See Notes to Financial Statements

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE A – GENERAL

Operations

Generation Citizen, Inc. (the Organization) is a Massachusetts nonprofit public benefit corporation, founded in 2010 to provide programs and services supporting the education of youth and teens regarding Democracy. The Organization has offices in New York City, Boston, San Francisco and Providence.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Organization uses the accrual basis of accounting, which recognizes income in the period earned and expense when incurred, regardless of the timing of payments.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Financial Statement Presentation

The Financial Accounting Standards Board under ASC 958 requires the Organization to report information regarding its financial position and activities for three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2014 the Organization had no permanently restricted net assets.

Revenue Recognition

Under ASC 958, contributions and grants received are recorded as unrestricted or temporarily restricted depending on the existence and nature of grantor restrictions. Contributions and grants are recorded as restricted support if they are received with grantor stipulations that limit the use of the contributed assets. When a grantor restriction expires, that is, when a stipulated purpose restriction is accomplished or a time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Accounting principles generally accepted in the United States of America require that contributions be recorded at the present value of the estimated future cash flows. However, the effect of not recording the contributions at the present value of the estimated future cash flows is not materially different from the result that would have been obtained had the contribution been recorded at the present value of the estimated future cash flows.

Program revenue is recognized as earned. Amounts received (advances) but not yet earned are reported as deferred revenue.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts and in time deposits with a maturity of three months or less as well as cash on hand. The Organization may occasionally maintain cash on deposit at banks in excess of the Federal Deposit Insurance Corporation limit. The Organization has not experienced any losses in such accounts and believes that it is not currently exposed to any significant risks of loss.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than Level 1, which quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (continued)

The Organization measured the fair value of cash and cash equivalents using Level 1 inputs.

Accounts Receivable

The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate.

Contributed Goods and Services

The Organization receives goods and services, which are donated for carrying out the mission of the Organization. The amounts reflected in the accompanying financial statements meet the criteria for recognition under ASC 958 and are reflected at fair market value at the time of the contribution or performance of the service.

Income Tax Status

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and the state of Massachusetts Taxation Code.

The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns for years ended June 30, 2013, 2012, and 2011 are subject to examination by federal and state taxing authorities generally for three years after they are filed.

Functional Allocation of Expenses

The costs for providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE C – GRANTS AND ACCOUNTS RECEIVABLE

At June 30, 2014, accounts and grants are expected to be received as follows:

<u>Grants and Accounts Receivable</u>	<u>Amount Due</u>
Within One Year	\$64,550
In Two to Three Years	100,000
	<u>\$164,550</u>

NOTE D – CONCENTRATION OF CREDIT RISK

Accounts receivable constitute a concentration of credit risk as approximately 61% is due from one funder. The liquidity of this funder is not a concern to management at this time. No allowance for doubtful accounts is deemed necessary as of June 30, 2014.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

The following temporarily restricted net assets were released from donor restrictions satisfied by the passage of time or other occurrences during the fiscal year ended June 30, 2014:

Foundations	<u>\$618,492</u>
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The nature and amount of temporarily restricted net assets at June 30, 2014 is:

Foundations	<u>\$351,343</u>
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GENERATION CITIZEN, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

NOTE G – COMMITMENTS AND CONTINGENCIES

The Organization is a party to leases for office space in Boston and Washington, D.C., which run through July 2014 and 2015, respectively. In addition, the Organization leases office space on a month-to-month basis in New York and San Francisco. Future minimum operating lease payments are as follows:

<u>Year ended June 30</u>	
2015	\$ 7,183
2016	<u>450</u>
TOTAL	<u>\$ 7,633</u>

Rent expense for the year ended June 30, 2014 is \$80,780.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE H – RELATED PARTY LOAN PAYABLE

During the year ended June 30, 2014, the Organization borrowed a total of \$14,000 from its Executive Director. At June 30, 2014 the remaining balance is \$11,500. The loan agreements call for 2.5% interest per annum and are to be repaid by December 31, 2014. No interest expense has been accrued by the Organization in the accompanying financial statements.

NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through September 26, 2014, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2013 that required recognition or disclosure in the financial statements.